

**OFFICE OF THE INSPECTOR GENERAL  
DEPARTMENT OF DEFENSE**

**SUMMARY OF  
REPORTS ISSUED AND  
PARTICIPATION ON MANAGEMENT ADVISORY TEAMS  
AND SPECIAL AUDIT/EVALUATION EFFORTS**

**JANUARY, FEBRUARY, AND MARCH 2001**



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## PART I

### REPORT SUMMARIES

<b><i>ACQUISITION PROGRAM</i></b>
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REPORT NO. D-2001-032. Use of Exit Criteria for Major Defense Systems. The objective was to evaluate milestone decision authorities' use of exit criteria to track program progress in important technical, schedule, and management risk areas. Specifically, we determined whether milestone decision authorities use exit criteria to track acquisition program progress in meeting program goals and to aid in deciding whether programs should continue within an acquisition phase or progress to the next acquisition phase.

Our review of the nine major Defense programs (three Army, three Navy, and three Air Force) showed that improvements were needed in the establishment of exit criteria at milestone decision points and in reporting the status toward attaining exit criteria requirements to milestone decision authorities. For seven of the nine programs reviewed, milestone decision authorities did not ensure that program managers proposed program-specific exit criteria for use at the future milestone decision point(s). As a result, the milestone decision authorities were limited in their ability to use exit criteria as a management tool to determine whether programs under their review and oversight should progress within an acquisition phase or continue into the next acquisition phase at milestone decision points. Program managers for three of the five major Defense acquisition programs reviewed did not report their status toward attaining exit criteria requirements in the quarterly Defense Acquisition Executive Summary. As a result, milestone decision authorities and OSD action officers did not have information to use as a management tool for assessing each program's progress toward satisfying exit criteria requirements and for providing direction, when needed, between milestone decision points.

REPORT NO. D-2001-036. Acquisition of the Combat Survivor Evader Locator. The overall objective was to evaluate the acquisition of the Combat Survivor Evader Locator (CSEL).

The CSEL Program Management Office had planned for and managed the design and development of the system well, despite funding shortfalls. The Air Force had been funding the system through internal Air Force reprogramming below the threshold that required Congressional notification. During the audit, we had concerns regarding how the Program Management Office would fund additional interoperability and security requirements and associated technological challenges. Although the Program Management Office had requested the research, development, test and evaluation funds needed to address those requirements and challenges, the funds were not included in the Air Force's FY 2002 Program Objective Memorandum. We also were concerned that the Air Force plan to incrementally purchase its

hand-held radio requirements through FY 2038 would not take advantage of economic order quantities and, more importantly, would not satisfy a critical mission need in a reasonable timeframe.

Our concerns were resolved when the Director, Program Analysis and Evaluation, issued a Program Decision Memorandum that directed the Air Force to reprogram \$107.5 million (\$9.4 million in research, development, test and evaluation funds and \$98.1 million in procurement funds) to complete the design and development of Block II CSEL and procure an additional 13,477 hand-held radios by FY 2005. In response to the Program Decision Memorandum, the Air Force included an additional \$8 million for the CSEL system in the FY 2002 Budget Estimate Submission and will include the remaining \$99.5 million in the Air Force FY 2003 through FY 2007 Program Objective Memorandum. If Congress appropriates and authorizes these funds, it will reduce the funding instability experienced by the CSEL system.

REPORT NO. D-2001-047. Equipment Procurement for the National Guard and Reserve Forces. The audit was requested by the Deputy Assistant Secretary of Defense for Reserve Affairs (Materiel and Facilities). Our overall objective was to determine the use of funds budgeted for Reserve Component procurement. Specifically, the audit determined whether the funds appropriated to the Active Components to procure equipment for their Reserve Components were used for that purpose and whether the equipment was delivered in accordance with approved acquisition plans.

Funds earmarked in budget justification exhibits for procurement for the Reserve Components were generally used for that purpose. For 29 systems, \$3.6 billion was expended from FY 1996 through FY 2000 to support Reserve Components. For the remaining two systems, \$328 million in funds was used to support the Active Forces because of revised priorities. However, for the two systems, the requirements were merely deferred to a future period with reasonable expectations of funding being available at that time. The Army had legal authority to make those adjustments.

REPORT NO. D-2001-066. Acquisition of the Advanced Tank Armament System. The primary objective was to evaluate the overall management of the Advanced Tank Armament System (ATAS). Because ATAS was in the program definition and risk reduction phase, we evaluated whether management was cost effective in readying the system for the engineering and manufacturing development phase of the acquisition process.

The Army did not establish a viable acquisition strategy to develop and acquire ATAS beyond the program definition and risk reduction phase. Instead, the milestone decision authority considered ATAS to be a program element for funding technology demonstrations but did not appropriately manage and fund ATAS as a technology demonstration. As a result, the Army obligated about \$85.8 million in research, development, test and evaluation funds through FY 2000 and planned to obligate another \$62.9 million from FY 2001 through FY 2007 for a program that the Army is not intending to fund for the engineering and

manufacturing development and the production phases of the acquisition process. On September 30, 2000, the Army reduced the FY 2001 through FY 2007 funding by about \$42 million to about \$20.9 million for ATAS.

REPORT NO. D-2001-076. Acquisition of General and Industrial Items. This audit is in response to allegations made to the DoD Hotline. The overall allegation was that the procurement work force for general and industrial items was mismanaged at the Defense Supply Center Philadelphia, resulting in a shortage of mission-essential items needed for major weapon systems. The objective was to determine whether procurement support was adequate in acquiring general and industrial items.

The audit did not substantiate the allegation of mismanagement at the Center. However, procurement support at the Center was inadequate in acquiring general and industrial items. Since the implementation of Base Realignment and Closure 1995 in July 1999, supply effectiveness at the Center decreased as the administrative lead time taken by buyers to acquire general and industrial items rose from 85 to 107 days. Inadequate procurement support was largely responsible for about a 48 percent rise in backorders (137,929 in October 1998 to 203,663 in September 2000) of general and industrial items. Although customer demands (requisitions) for general and industrial items increased only slightly for the 2-year period, the purchase requests backlog increased 40 percent at the Center over the same period. To address the problems, the Center had a surge in overtime, took steps to hire temporary employees, and initiated a contractor study that will likely show more personnel are needed on a permanent basis. However, there were other alternatives that the Center could have used.

REPORT NO. D-2001-082. Management of the Commercial Operations and Support Savings Initiative Program. The objective was to evaluate the management of the Commercial Operations and Support Savings Initiative (COSSI) program.

There were several COSSI projects that transitioned without problems to either a traditional FAR Part 12 or 15 contract. However, the audit identified that improvements were needed in program oversight and the issuance of prototype other transactions.

- o COSSI projects are not subject to formal program management reviews or any type of performance measure to ensure that they are meeting COSSI objectives. As a result, 67 percent of the 30 FY 1997 COSSI-funded projects with a proposed operations and support savings of \$3.25 billion had extended development periods, deviated from program objectives, or lacked procurement funds to acquire the prototype.

- o Language used for prototype other transactions needed improvement. As a result, the Air Force paid \$1.5 million in profits and fees and the Navy and Air Force called six other transactions fixed priced when there was cost-sharing. In addition, the Military Departments used agreement language in 51 of 56 FYs 1997, 1999, and 2000 other transaction agreements that did not require the delivery of a commercial prototype.

REPORT NO. D-2001-086. On-Board Jammers for the Integrated Defensive Electronic Countermeasures. The Integrated Defensive Electronic Countermeasures suite is intended to provide self-protection and increased survivability for tactical aircraft against radio frequency and infrared surface-to-air and air-to-air threats. The overall objective was to evaluate the test planning and requirements for the AN/ALQ-165 and AN/ALQ-214 on-board jammers.

The Navy significantly reduced mission reliability from the level recommended in the cost and operational effectiveness analysis. The Navy reduced the requirements so that the AN/ALQ-165 Airborne Self-protection Jammer, which the Navy plans to use in Block I of the Integrated Defensive Electronic Countermeasures Suite, could pass the operational test and evaluation and be installed on the F/A-18 E/F aircraft. Furthermore, the AN/ALQ-214, which will be the on-board jammer for Blocks II and III of the Integrated Defensive Electronic Countermeasures Suite will be tested against the same operational suitability requirements. By reducing the mission reliability rate, the Navy's logistical support requirement may have to be significantly increased in order to accomplish a 90 percent operational availability rate for the system. At the reduced mission reliability rate, unscheduled maintenance may be required up to 2.5 times more often than if the system met the mission reliability rate recommended by the cost and operational effectiveness analysis. Further, it is unclear whether the additional protection provided by the on-board jamming capability justifies the investment in the development, acquisition and logistical support.

REPORT NO. D-2001-089. Management Issues at the Joint Simulation System Program Office. We performed this audit in response to a request from the Director, Joint Staff. The overall objective was to evaluate the management of the System and to address specific management concerns raised by the Director, Joint Staff. This report deals exclusively with the results of our audit of the four concerns raised by the Director, Joint Staff.

The four concerns raised by the Joint Staff do not warrant further action. In coordination with the Office of the General Counsel, DoD, we reviewed the \$2.1 million in transfers and did not identify improprieties. We found no indications that the Program Office made significant errors in processing obligations. Also, deliverables were adequately recorded. We did not identify any conflicts of interest or improprieties in the hiring practices of the Program Office for contractor or direct-hire personnel. Further, the Program Office appropriately reimbursed moving expenses in accordance with the Joint Travel Regulation.

REPORT NO. D-2001-093. Acquisition of the Battlefield Combat Identification System. The primary objective was to evaluate the overall management of the Battlefield Combat Identification System (BCIS). Because BCIS was in the engineering and manufacturing development phase, we evaluated whether management was cost effective in readying the system for the production phase of the acquisition process.

The BCIS acquisition strategy and test and evaluation master plan warranted management attention as follows:

o The Army did not have a viable acquisition strategy to acquire BCIS at the completion of the engineering and manufacturing development phase of the acquisition process. As a result, the Army obligated about \$132.4 million in research, development, test and evaluation and procurement funds through FY 2000 and plans to obligate another \$86.5 million to complete development efforts and produce 1,169 low-rate initial production units from FY 2001 through FY 2007 for the 4th Infantry Division. However, the Army had not provided \$918.5 million of procurement and operations and maintenance funds to acquire and support the BCIS procurement objective. Implementing the recommendation to not allow the third phase of the low-rate initial production unless the Army provides full funding for BCIS production would permit the Army to put \$86.5 million of remaining funds to better use should the Army determine that the program is unaffordable.

o The BCIS did not have a current and comprehensive test and evaluation master plan. Further, the Army lacked funding to test 19 operational requirements and did not plan to operationally test a production prototype of the system in cold, fog, snow, or rain. Without an updated test and evaluation master plan that accurately shows user requirements, testers will not fully evaluate the effectiveness of BCIS in reducing fratricide. As a result, the Army has increased the risk of producing a system that will not meet the full needs of the user. Also, the milestone decision authority will not have sufficient operational test data to assess the readiness of BCIS to enter full-rate production.

### **CONSTRUCTION AND INSTALLATION SUPPORT**

REPORT NO. D-2001-040. Bulk Fuel Infrastructure Maintenance, Repair, and Environmental Project Review Process: Pacific. This report is one in a series that addresses the accuracy and reliability of maintenance, repair, environmental (MR&E), and military construction requirements for bulk fuel storage and delivery systems infrastructure. Our overall objective was to evaluate the accuracy and reliability of DoD MR&E and construction requirements for bulk fuel storage and delivery systems infrastructure. Specifically, this audit evaluated maintenance and repair project requirements to replace a fuel pipeline system located at Misawa Air Base, Japan.

Headquarters, Pacific Air Forces, personnel approved a bulk fuel-related MR&E project at Misawa Air Base but could not demonstrate that project requirements were properly validated. As a result, the Defense Energy Support Center approved a \$1.13 million MR&E project that may not have been necessary to support operational requirements. In addition, unless the Air Force, the U. S. Pacific Command Joint Petroleum Office, and the Defense Energy Support Center take corrective action to improve the project requirements review and validation process, additional funds could be used on nonessential or unnecessary projects in the future. In July 2000, Defense Energy Support Center personnel cancelled the project before any funds had been spent.



REPORT NO. D-2001-080. Government Performance and Results Act Goals: Disposal of Excess Real Property. This report is one in a series resulting from our audits of GPRA goals. This report discusses the FY 1999 DoD GPRA Performance Measure 2.3.7, "Disposal of Excess Real Property." The overall objective was to determine whether DoD actions are effective with respect to fulfilling the GPRA goals of streamlining DoD infrastructure, as shown in the Secretary of Defense's "Annual Report to the President and the Congress," 2000 (the Annual Report).

DoD demolished 45.1 million square feet of obsolete buildings through FY 2000 and is on track to achieve the overall demolition goal of 80.1 million square feet by the end of FY 2003. DoD achieved its acreage disposal goal by eliminating 146,989 acres by the end of FY 2000. In the Annual Report, DoD reported that it had 293,000 excess acres, an understatement of 30,458 acres. DoD reported it had disposed of 21,077 acres in FY 1999, an understatement of 4,510 acres. The cumulative reported total of 146,989 acres was understated by 23,489 acres. Without complete and accurate disclosure of disposal information, oversight officials cannot make an accurate assessment of disposal progress, accurate historical information will not be available for proper planning and funding of future BRAC actions, and any future decisions cannot be appropriately and accurately made when the data used to make the decisions are inaccurate.

### ***CONTRACTOR OVERSIGHT***

REPORT NO. D-2001-051. Use of Federal Acquisition Regulation Part 12 Contracts for Applied Research. The primary objective was to evaluate use of FAR Part 12, "Acquisition of Commercial Items," contracts to acquire applied research.

The Office of the Under Secretary of Defense for Acquisition, Technology, and Logistics (OUSD(AT&L)) and the Defense Advanced Research Projects Agency (DARPA) have made different attempts over the last 3 years to inappropriately use FAR Part 12 contracts to acquire applied research. The lack of a commercial market and established catalog and market prices for applied research, and difficulties in determining fair and reasonable prices for items that do not exist in the marketplace makes the use of commercial item contracts for applied research inappropriate. The Director, Defense Procurement; the Office of the General Counsel; and DCAA have advised OUSD(AT&L) and DARPA that the use of commercial item contracts for applied research is inappropriate. DoD has multiple acceptable acquisition strategies to engage in applied research with traditional DoD contractors and new contractors that have never performed DoD work. DoD can use FAR contracts and, when appropriate, can waive Contract Accounting Standards and Truth In Negotiations Act requirements. DoD can also use grants, cooperative agreements, and other transactions that are not subject to the FAR and most procurement statutes. Despite these alternatives, the Directorate of Contracting at Fort Huachuca, Arizona, inappropriately awarded the contractor, in August 2000, a FAR

Part 12 "firm-fixed-price (variable outcome) contract" for applied research in support of DARPA. The contract did not satisfy the statutory definition of a commercial item and the contract type is not defined in the FAR.

REPORT NO. D-2001-054. Defense Logistics Agency Product Verification Program. This is the second of two reports being issued by IG, DoD, which addresses various aspects of the DLA Product Verification Program. Our objective was to evaluate whether DLA was effectively managing the Program. Specifically, the audit determined how products were selected for testing and whether the program's testing plan was adequate. The audit also determined whether the Program managers and quality assurance specialists were using the test results to identify contractor problems and purge potentially defective products from DLA depots.

The DLA product test center planning procedures were logical and in conformance with test objectives. Testing was conducted using contract specifications and objectives, appropriate test equipment was used, and suspected deficiencies were evaluated. However, the product test selections and the use of test results needed improvement. Random product test selections did not include all products available for testing at all depots. For nonrandom testing, the Product Verification Office did not fully consider management's quality priorities and initiatives in test planning. As a result, funds for product testing were not used in the most efficient manner and DoD lacked sufficient assurance that critical products would perform as expected. For two of the three Defense Supply Centers, test failures were not consistently investigated and required actions on test failures were not always taken. Inconsistent adjudication and ratings of test results hindered the two Defense Supply Centers from resolving contractor issues for 36 percent of the 231 FY 1999 tests we reviewed, inflated quality ratings for as many as 54 contractors, and allowed potentially nonconforming products to remain available for issue.

REPORT NO. D-2001-061. Waivers of Requirement for Contractors to Provide Cost or Pricing Data. This audit was initiated in response to a tasking in the Senate Committee on Armed Services Report on the National Defense Authorization Act for FY 2000. The overall objective was to determine whether waivers of the requirement for contractors to provide cost or pricing data granted in FYs 1997 and 1998 were properly justified and used in appropriate circumstances. Additionally, we determined whether the Department ensured that prices were fair and reasonable when the requirement was waived. We reviewed 4,590 contract actions, valued at approximately \$2 billion, coded as receiving a waiver to cost or pricing data.

Contracting officials properly justified, and used in appropriate circumstances, waivers of the Truth in Negotiations Act (TINA) requirement to obtain cost or pricing data in an estimated 189 of the reviewed contract actions, valued at \$1.04 billion, where waivers were used. Contracting officers also ensured fair and reasonable prices for those 189 contract actions. The procedures that DoD contracting organizations used to process the waivers and to determine fair and reasonable prices were effective and not burdensome.

The information on cost or pricing data in the Defense Contract Action Data System (DCADS) was very inaccurate and misleading. We estimated that 4,264 actions (93 percent)



valued at \$789 million of 4,590 contract actions were miscoded. The significant errors grossly inflated the reported number of contract actions in which the requirement for contractors to provide cost or pricing data had been waived. During the audit, the Director, Defense Procurement, issued guidance requiring the Military Departments and Defense agencies to initiate actions to improve the accuracy of cost or pricing data information. Contracting officers at five contracting organizations did not obtain or waive cost or pricing data for a few contract actions in our sample. We estimate that this problem applied to 11 actions, valued at \$15 million, of the 4,590 contract actions. Not obtaining cost or pricing data or a waiver resulted in insufficient support for the contracting officers' determinations that fair and reasonable prices were achieved for the contract actions.

REPORT NO. D-2001-069. Pilot Program on Sales of Manufactured Articles and Services of Army Industrial Facilities. This is the third of three reports on our audit of the pilot program on sales of manufactured articles and services of Army industrial facilities. The primary objective was to determine the results of the pilot program. Specifically, we determined whether the waiver of 10 U.S.C. 4543(a)(5) enhanced opportunities for U.S. manufacturers, assemblers, developers, or other concerns; Army industrial facilities; and small businesses to enter into or participate in contracts and teaming arrangements under DoD weapon systems programs.

The pilot program has been only minimally successful in increasing the use of the capabilities of the participating Army industrial facilities. From the June 1998 Army implementation of the pilot program to January 2001, the three participating industrial facilities obtained only 12 contracts valued at \$6 million, including a 5-year contract valued at \$5.2 million. Consequently, the pilot program has had little effect on increasing the opportunities for U.S. commercial firms and the Army industrial facilities to participate in contracts and teaming arrangements under DoD weapon system programs. Provisions in the FY 2001 Defense Authorization Act and recent Army initiatives have eliminated or mitigated some of the impediments to the industrial facilities obtaining work under the pilot program, but have not been in effect long enough to create a measurable difference. Eliminating the remaining impediments will further increase the opportunities for commercial firms, small businesses, and the Army industrial facilities to enter into contracts or teaming arrangements under DoD weapon system programs and increase the use of the industrial facilities' capabilities.

We believe that the pilot program should be extended. Overall the pilot program is beneficial to DoD and the military industrial base. Any increase in the volume of work resulting from the pilot program and the arsenal and armaments support program initiatives provided in the FY 2001 Defense Authorization Act would use idle plant capacity, reduce overhead costs, and result in lower prices to all customers of the industrial facilities. More importantly, the added work would aid the retention of critical manufacturing skills that are being lost because of the lack of work at the industrial facilities.

REPORT NO. D-2001-072. Industrial Prime Vendor Program at the Naval Aviation Depot – North Island. This audit is one in a series involving the pricing of commercial and noncommercial spare parts and other logistics support initiatives. This report addresses bench-stock material (screws, bolts, rivets, etc.) and logistics support procured from Raytheon E-Systems Incorporated under the industrial prime vendor program to support the Naval Aviation Depot, North Island, California. The primary objective was to determine whether the Defense Supply Center Philadelphia industrial prime vendor program had demonstrated an effective shift to commercial, industrial-base resources as an integrated logistics solution to obtain bench-stock material and add value for its customers.

The Center industrial prime vendor program at North Island had not demonstrated an effective shift to commercial, industrial-base resources as an integrated logistics solution. The program had not reduced total logistics costs, improved financial accountability, streamlined the Defense infrastructure, or added value to the Defense supply system. In addition, other areas such as benefits from competition and participation by small businesses needed to be fully addressed. We calculated that the industrial prime vendor program cost an additional \$287,852 to operate for the last 6 months of CY 1999, when the program was fully operational. We also determined that because of unit of issue problems when placing items on contract, North Island was over-billed by \$572,302 from contract inception to March 2000. Total program sales (corrected) during the period were about \$1.6 million. In August 2000, Raytheon provided North Island a check for \$368,375 to partially cover the over-billed amount. In addition, 64 percent (dollars) and 82 percent (line items) of the material supplied on the contract came from the Defense supply system.

REPORT NO. D-2001-077. Buying Program of the Standard Automated Materiel Management System Automated Small Purchase System: Defense Supply Center Philadelphia. Our overall objective was to evaluate the buying program. Specifically, we determined whether the buying program had adequate controls for ensuring that contracts awarded for small purchases were at fair and reasonable prices.

Vendors were not abiding by the terms of the blanket purchase agreements with the Defense Supply Center Philadelphia that constrained vendors to a 30 percent markup over vendor cost. As a result, we projected that 4,105 of 9,733 micro-purchases could have been purchased for an estimated \$1.2 million less than the nearly \$14 million paid. If the Center improves management controls on micro-purchases, it could avoid about \$7.2 million of costs over the 6-year Future Years Defense Program.

## **ENVIRONMENT**

REPORT NO. D-2001-087. Defense Logistics Agency Wastewater Treatment Systems. The Office of the Assistant Deputy Under Secretary of Defense (Environmental Quality) requested the audit to determine whether the Services and DLA were reporting the correct Clean Water

Act information. The overall audit is being jointly conducted by IG, DoD, and the Army, Navy, and Air Force audit agencies. The overall objective was to determine whether DLA was accurately and consistently reporting the number of permits and permitted systems covered by the Clean Water Act and the number of systems in compliance with the Clean Water Act. In addition, we evaluated how well DLA was managing its resources for wastewater treatment systems.

DLA was consistently and accurately reporting the numbers of wastewater treatment systems, permits, and permitted systems in compliance and covered by the Clean Water Act. For the first half of FY 2000, DLA reported that they had 36 Clean Water Act permits, 38 permitted systems and 35 permitted systems in compliance with their permit requirements. However, DLA components experienced difficulties in properly reporting and categorizing their permits and systems to DLA headquarters because of confusion over the DoD Clean Water Act Measure of Merit definitions. Our concerns with DoD Clean Water Act Measure of Merit definitions will be addressed in our overall summary report. Additionally, DLA was adequately planning for repairs, upgrades and replacement of their wastewater treatment systems. They estimated in the first half of FY 2000, a total of six nonrecurring wastewater projects for FYs 2000 and 2001 at an approximate cost of \$3.7 million.

## ***FINANCE AND ACCOUNTING***

REPORT NO. D-2001-021. Government Performance and Results Act Reporting on Defense Working Capital Funds Net Operating Results. The overall objective was to determine whether the net operating results for the activity groups of the Defense Working Capital Fund (WCF) were consistently and accurately compiled. We also assessed internal controls to determine whether management complied with the Government Performance and Results Act of 1993.

In reporting Net Operating Results for the Defense WCFs, the USD(C) chose to include performance results for eight activity groups that compile net operating results. The information included for the eight activity groups was not consistent and did not accurately reflect operating results. Also, no explanation was provided for significant differences between budgetary information used to measure performance and information in the accounting records. As a result, the FY 2000 Annual Defense Report contained incomplete and inconsistent net operating results for the Defense WCFs and the value of the metric was unclear.

REPORT NO. D-2001-033. Government Performance and Results Act - Unfunded Depot Maintenance Requirements. The objective was to determine whether DoD consistently and accurately compiled the information used to compute the DoD unfunded depot maintenance

requirements. An additional objective was to determine whether DoD was achieving the goal of reducing unfunded depot maintenance requirements. A summary report on DoD GPRA implementation will discuss the management control program.

DoD did not consistently and accurately compile the unfunded depot maintenance performance results and goals for Performance Indicator 2.3.2, "Unfunded Depot Maintenance Requirements." Further, DoD had no supporting documentation for the reported Navy FY 1999 performance results and the FYs 2000 and 2001 performance goals. Lastly, DoD did not report the FYs 1999, 2000 and 2001 performance goals using a consistent methodology. As a result, the performance report did not contain reliable data and could not be used to determine conclusively whether maintenance backlogs are growing substantially over time.

DoD needs to improve the presentation of Performance Indicator 2.3.2, "Unfunded Depot Maintenance Requirements," to provide more meaningful information. As a result of problems with the presentation of Performance Indicator 2.3.2, the GPRA report was not as meaningful as it should have been.

REPORT NO. D-2001-039. Financial Reporting of Department 97-Funded Property, Plant, and Equipment. This is the final part of the audit on Compilation of the FY 1999 Financial Statements for Other Defense Organizations-General Fund. Our objective was to determine whether Department 97-funded Property, Plant, and Equipment (PP&E) should be reported on the Military Department or Other Defense Organizations Financial Statements when the funds are allotted to the Military Departments. We also reviewed the coordination procedures at the accounting offices supporting specific Other Defense Organizations to determine how those offices were recording and reporting Department 97-funded PP&E.

The DFAS Indianapolis Center Chief Financial Officer Team did not accurately report Department 97-funded PP&E on the Financial Statements of the Other Defense Organizations. As a result, assets on the FY 1999 Financial Statements of the Other Defense Organizations-General Fund were materially overstated by \$1.1 billion, the FY 1999 Financial Statements of the Navy-General Fund were understated by \$222 million, and the DoD Agency-wide Financial Statements were overstated by \$839 million. Unless corrected, these misstatements will be reported in FY 2000 and future years.

REPORT NO. D-2001-041. Journal Entries to Support Departmental Reporting for the Marine Corps. The overall objective was to determine the reliability and effectiveness of processes and procedures used to prepare Navy General Fund financial statements. Specifically, for this part of the audit, we focused on whether the journal voucher entries that DFAS Cleveland Center made to create the monthly and year-end departmental reports for the Marine Corps appropriations were necessary.

DFAS Cleveland Center manually entered unnecessary Marine Corps appropriation financial data into the Standard Accounting and Reporting System - Financial Departmental Reporting, through journal vouchers, to prepare the monthly "Report on Budget Execution" (SF 133). Because the data to create the SF 133 were later uploaded in the accounting system electronically, DFAS personnel prepared additional journal voucher entries to reverse much of

the information originally entered. As a result, DFAS Cleveland Center prepared 1,297 unnecessary journal vouchers with an absolute value of \$39.6 billion in FY 2000 through August 10, 2000. The manual process also increased the potential for input errors.

REPORT NO. D-2001-042. Accounting and Disclosing Intragovernmental Transactions on the DoD Agency-Wide Financial Statements. This is the fourth in a series of audit reports related to the FY 1999 DoD Agency-wide financial statements. Our overall objective was to determine whether the DoD Agency-wide financial statements were prepared in accordance with OMB Bulletin No. 97-01, 1996, as amended January 7, 2000. As part of the objective, we reviewed the preparation of the DoD Agency-wide financial statements and the accounting and disclosing of intragovernmental transactions that should be eliminated on the DoD Agency-wide financial statements or reported as required supplemental information.

Since FY 1996, DoD made little progress in accounting for and disclosing amounts of eliminating entries. Similarly, the Department has been slow to initiate improvements that are needed to ensure that all of the intragovernmental transactions were captured and the amounts were accurate. In response to prior IG, DoD, reports, DoD indicated that it could not perform the critical checks because many of the DoD accounting systems did not capture all the data necessary to reconcile with partners or to accurately identify elimination transactions and balances.

The FY 1999 DoD Agency-wide financial statements reflected \$229.4 billion in intragovernmental transactions between buyers and sellers that were not reliable and were not adequately supported. DoD reported \$236.7 billion in eliminating entries that were not reconciled with intragovernmental accounts and buyer and seller transactions. DFAS made \$298.8 billion (absolute value) in accounting entries to intragovernmental and public accounts that were not adequately reconciled. In addition, the elimination of intra-agency transactions on the Statement of Net Cost were made to the total program cost and revenue lines and not by the specific programs that made up the totals. As a result, the DoD Agency-wide financial statements continued to contain material misstatements, and the amounts reported for intragovernmental line items are unreliable.

REPORT NO. D-2001-048. Financial Reporting for Other Defense Organizations at the Defense Agency Financial Services Accounting Office. The primary objective was to determine the accuracy and completeness of the data submitted by the Defense Agency Financial Services accounting office to the Chief Financial Officer Team, also located at the DFAS Center Indianapolis, for inclusion in the FY 2000 Other Defense Organizations financial statements.

Trial balance prepared from accounting records that the Defense Agency Financial Services accounting office maintained included \$233.8 million of net abnormal balances, none of which were explained in required footnotes. We examined 81.4 percent of the abnormal balances on the March 31, 2000, trial balances and determined that in FY 2000: \$129 million of net abnormal balances occurred because the Indianapolis Accounting Office did not ensure that accruals and corresponding disbursements were both recorded as either Government or non-Government transactions; and \$61.2 Million of net abnormal balances occurred because

the Washington Headquarters Services Allotment Accounting System incorrectly posted adjustments for prior reporting periods to incorrect general ledger accounts in the current year, and because the Indianapolis Accounting Office incorrectly recorded accruals twice and posted adjustments to incorrect general ledger accounts to remove the duplicate accruals.

During the audit, the Defense Agency Financial Services accounting office took effective action to reduce deficiencies identified during the audit, thereby reducing reported year-end total net abnormal balances from \$215.8 million as of September 30, 1999, to \$75.6 million as of September 30, 2000. Until abnormal balances and control deficiencies are corrected, FY 2001 and future financial statements prepared for the Other Defense Organizations will be misstated. Additionally, financial statement preparers will not be able to properly eliminate intra-DoD transactions of the Defense Agency-wide financial statements.

REPORT NO. D-2001-049. Abnormal General Ledger Account Balances for Other Defense Organizations Reported by DFAS Cleveland Center. The overall objective was to determine the accuracy and completeness of the data that DFAS Cleveland Center submitted to DFAS Center for Sustaining Forces-Indianapolis for inclusion in the financial statements for the Other Defense Organizations. Specifically, we concentrated on the causes of abnormal balances in the general ledger accounts.

Improvements were needed in promptly reconciling undistributed disbursements, recording liabilities in the accounting system, and properly preparing and documenting journal vouchers. Specifically: DFAS Cleveland Center reported \$711 million of abnormal balances in the March 31, 2000, trial balance for the Other Defense Organizations. Of the \$711 million, \$645.5 million or more than 90 percent was related to general ledger account 2111 (Accounts Payable). As a result, the accounts payable reported in the consolidated trial balance for the Other Defense Organizations was not accurate and the reported expenses for the accounting period were not reliable. DFAS Cleveland Center did not have complete documentation for the 81 on-line accounting adjustment transactions made to correct the abnormal balance for general ledger account 2111 valued at \$495 million. As a result, the usefulness of the reconciliation process for proper distribution of erroneous disbursements was reduced and errors in adjustment amounts may go undetected. Also, the reliability of future financial statements will continue to be affected until the problems identified are corrected.

REPORT NO. D-2001-053. DoD Payments to the U.S. Treasury for Water and Sewer Services Provided by the District of Columbia. The audit was required by Public Law 106-554, the Consolidated Appropriations Act of 2001, Section 401 of H.R. 5666, Miscellaneous Appropriations Act of 2001 (Public Law 106-554). The overall objective was to determine the promptness of DoD payments to the U.S. Treasury for water and sewer services provided by the Government of the District of Columbia. We were initially requested to analyze quarterly DoD payments from the second quarter of FY 1990 up to and including the first quarter of FY 2001. However, we were not provided sufficient information from DoD and the U.S. Treasury to adequately determine the accuracy and timeliness of the billings and payments by the February 15, 2001, reporting deadline.



Based on our review of limited information, DoD Components within the National Capital Region paid \$68 million of the \$96.2 million billed by the U.S. Treasury for water and sewer services received from the District of Columbia from FY 1990 through the first quarter of FY 2001. Generally, DoD Components contend that they did not make complete payments because the Water and Sewer Authority did not use actual or accurate usage data for water and sewer bills provided by the U.S. Treasury. As a result, DoD Components in the National Capital Region apparently did not pay the U.S. Treasury \$28.2 million for water and sewer billings for the 12-year period ending the first quarter of FY 2001. We will perform additional audit work on this issue for our next report due on April 15, 2001.

REPORT NO. D-2001-056. Inspector General, DoD, Oversight of the Naval Audit Service Audit of the FY 2000 Department of the Navy General Fund Financial Statements. Our objectives were to oversee the Naval Audit Service audit of the FY 2000 Department of the Navy General Fund financial statements and to determine the reliability and effectiveness of processes and procedures used to prepare those statements. The auditors were unable to express an opinion on the FY 2000 Department of the Navy General Fund financial statements. We concur with the Naval Audit Service disclaimer of opinion.

REPORT NO. D-2001-057. Inspector General, DoD, Oversight of the Naval Audit Service Audit of the FY 2000 Department of the Navy Working Capital Fund Financial Statements. Our objectives were to oversee the Naval Audit Service audit of the FY 2000 Navy Working Capital Fund financial statements and to determine the reliability and effectiveness of processes and procedures used to prepare those statements. The Naval Audit Service was unable to express an opinion on the FY 2000 Navy Working Capital Fund financial statements. We concur with the Naval Audit Service disclaimer of opinion.

REPORT NO. D-2001-058. Inspector General, DoD, Oversight of the Air Force Audit Agency Audit of the FY 2000 Air Force General Fund Financial Statements. Our objective was to oversee the Air Force Audit Agency to determine whether we can rely on the audit conducted by AFSA, as required by Government auditing standards. The Air Force Audit Agency was unable to express an opinion on the reliability of the FY 2000 Air Force General Fund financial statements. We concur with the Air Force Audit Agency disclaimer of opinion.

REPORT NO. D-2001-060. Internal Controls and Compliance With Laws and Regulations for the FY 2000 Financial Statements for Other Defense Organizations-General Funds. The overall objective was to assess internal controls and compliance with laws and regulations used for accounting, reporting, and compiling financial data to support the FY 2000 financial statements of Other Defense Organizations-General Funds.

Overall, internal controls were inadequate. We identified inadequate controls related to the existence and quality of written procedures; budgetary reporting; trial balance reporting; preparation of the Military Retirement Health Benefits Liability estimate; and reporting of Department 97-funded PP&E. Our consideration of internal controls would not necessarily disclose all reportable conditions and would not necessarily disclose all reportable conditions that are material weaknesses. Controls over the process used to compile the Reports on Budget Execution did not provide reasonable assurance that the reports were accurate and reliable.

The Reports on Budget Execution, as compiled by DFAS Indianapolis, included \$2.6 billion of net abnormal balances for open appropriations and \$95.3 million of net abnormal balances for appropriation accounts scheduled to close at the end of FY 2000. The Reports on Budget Execution contained unreconciled differences with U.S. Treasury Records of \$5.8 billion for disbursements and \$1.9 billion for collections. Controls over the process used to prepare trial balances for inclusion in the financial statements did not provide reasonable assurance that the trial balances were accurate and reliable. DFAS Indianapolis used data from Reports on Budget Execution to manually create partial trial balances for 16 sub-entities contained within 2 of the 51 Other Defense Organizations. The FY 2000 year-end trial balances included \$3.9 billion of net abnormal balances. Additionally, the FY 2000 year-end trial balances and Reports on Budget Execution differed by \$89.5 billion when reporting similar financial data. In addition, controls over reporting the Military Retirement Health Benefits Liability and PP&E did not ensure that amounts supplied to DFAS Indianapolis were accurate and reliable.

We identified instances of noncompliance with laws and regulations related to the Federal Financial Management Improvement Act of 1996; section 3512, title 31, U.S.C.; and the CFO Act of 1990, and laws governing the claims of the U.S. government. Our limited review of the compliance with laws and regulations was performed in compliance with OMB Bulletin No. 01-02, "Audit Requirements for Federal Financial Statements," and did not necessarily disclose all instances of potential noncompliance with laws and regulations that may be considered material to the financial statements for the Other Defense Organizations-General Funds reporting entity.

REPORT NO. D-2001-062. Inspector General, DoD, Oversight of the Air Force Audit Agency Audit of the FY 2000 Air Force Working Capital Fund Financial Statements. Our objective was to oversee the Air Force Audit Agency to determine whether we can rely on the audit conducted by AFSA, as required by Government auditing standards. The Air Force Audit Agency was unable to express an opinion on the reliability of the FY 2000 Air Force Working Capital Fund financial statements. We concur with the Air Force Audit Agency disclaimer of opinion.

REPORT NO. D-2001-063. Inspector General, DoD, Oversight of the Army Audit Agency Audit of the FY 2000 Army Working Capital Fund Financial Statement Audit. Our objectives were to oversee the Army Audit Agency audit of the FY 2000 Department of the Army Working Capital Fund financial statements to verify whether we can rely on their work and to determine whether DFAS Indianapolis consistently and accurately compiled financial data from field organizations and other sources for the statements. This report focuses on the oversight objective. The Army Audit Agency was unable to express an opinion on the FY 2000 Army Working Capital Fund financial statements. We concur with the Army Audit Agency disclaimer of opinion.



REPORT NO. D-2001-064. Inspector General, DoD, Oversight of the Army Audit Agency Audit of the Army's General Fund Principal Financial Statements for Fiscal Year 2000. Our objective was to oversee the Army Audit Agency audit of the FY 2000 Army General Fund financial statements to verify whether we can rely on the work done by the Army Audit Agency. The Army Audit Agency could not express an opinion on the FY 2000 Army General Fund financial statements. We concur with the Army Audit Agency disclaimer of opinion.

REPORT NO. D-2001-067. Inspector General, DoD, Oversight of the Army Audit Agency Audit of the FY 2000 U.S. Army Corps of Engineers, Civil Works Program, Financial Statements. Our objectives were to oversee the Army Audit Agency audit of the FY 2000 U.S. Army Corps of Engineers, Civil Works Program, financial statements and to determine the reliability and effectiveness of processes and procedures used to prepare those statements. This report focuses on the oversight objective. The Army Audit Agency was unable to express an opinion on the FY 2000 Army Corps of Engineers, Civil Works Program, financial statements. We concur with the Army Audit Agency disclaimer of opinion.

REPORT NO. D-2001-068. Inspector General, DoD, Oversight of the Audit of the FY 2000 Military Retirement Fund Financial Statements. Our objectives were to oversee the Deloitte & Touche LLP audit of the FY 2000 Military Retirement Fund Financial Statements and to determine the reliability and effectiveness of processes and procedures used to prepare those statements. Deloitte & Touche LLP expressed an unqualified opinion on the FY 2000 DoD Military Retirement Fund Financial Statements. We concur with the Deloitte & Touche LLP unqualified opinion.

REPORT NO. D-2001-070. Internal Controls and Compliance With Laws and Regulations for the DoD Agency-Wide Financial Statements for FY 2000. Our overall objective was to determine whether the DoD Agency-Wide financial statements for FY 2000 were prepared in accordance with OMB Bulletin No. 97-01, "Form and Content of Agency Financial Statements," and generally accepted accounting principles. We also evaluated internal controls and compliance with laws and regulations.

DoD could not provide sufficient or reliable information for us to verify amounts on the Statements. We identified deficiencies in internal controls and accounting systems related to General PP&E; Inventory; Environmental Liabilities; Military Retirement Health Benefits Liability; and material lines within the Statement of Budgetary Resources. DoD processed at least \$4.5 trillion of department-level accounting entries to the DoD Components financial data used to prepare departmental reports and the Statements. Also, \$1.2 trillion in department-level accounting entries to financial data, used to prepare DoD Component financial statements, were unsupported because of documentation problems or improper because the entries were illogical or did not follow generally accepted accounting principles. The financial data reported on the FY 2000 financial statements for Army, Navy, and Air Force General Funds; the Army, Navy, and Air Force Working Capital Funds; and the U.S. Army Corps of Engineers, Civil Works Program, were unauditable and comprise a significant portion of the financial data reported on the Statements. Because internal control weaknesses, compilation problems, and financial management system deficiencies continued to exist, we were unable to

perform adequate audit tests of the line item amounts reported on the financial statements. As a result, we do not express an opinion on the Statements.

Our review of internal controls included applicable tests of the internal controls to determine whether the controls were effective and working as designed. We concluded that DoD internal controls were not adequate to ensure that resources were properly managed and accounted for, that DoD complied with applicable laws and regulations, and that the financial statements were free of material misstatements. Further, DoD internal controls did not ensure that adjustments to financial data were fully supported and that assets and liabilities were properly accounted for and valued. The material weaknesses and reportable conditions we identified were also reported in the management representation letter for the Statements, the DoD Components' Annual Statements of Assurance for FY 2000, and the DoD Financial Management Improvement Plan.

DoD did not fully comply with laws and regulations that had a direct and material affect on its ability to determine the amounts reported on the financial statements. We identified noncompliance issues related to the Federal Financial Management Improvement Act of 1996; Statements of Federal Financial Accounting Standards; the CFO Act of 1990; section 3512, title 31, U.S.C.; laws governing the claims of the U.S. government; and GPRA.

REPORT NO. D-2001-071. Navy Financial Reporting of Government Materials Held by Commercial Shipyard Contractors. The audit objective was to determine whether DoD property in the possession of contractors is properly reported in the account balances for DoD financial statements or required supplementary stewardship information. Specifically, we focused on whether the Navy accurately reported \$4.3 billion in operating materials and supplies held by five commercial shipyard contractors.

The Navy reported the value of Government-owned materials held by contractors using the Contract Property Management System database, which did not provide complete or accurate financial data that met the requirements of federal accounting standards. Furthermore, the Navy overstated the value of \$4.3 billion of Government-owned materials reviewed at five commercial shipyards by at least \$1.4 billion. As a result, the Navy disclaimed the appropriateness of the balance on its financial statements for FY 1999. For FY 2000, the Navy is not reporting any values for Government-owned materials held by contractors on its financial statements. Until corrected, the Navy will continue to report incomplete and inaccurate financial data in FY 2001 and beyond.

REPORT NO. D-2001-078. Inventory Valuation at the Defense Supply Center Columbus. The objective was to evaluate management assertions for valuation, completeness, and existence of DoD inventory accounts and to determine whether the financial statements presented the accounts fairly. This part of the audit focused on the valuation assertion. The objective was to determine whether the values assigned to inventories that the Defense Supply Center Columbus managed were accurately computed in accordance with generally accepted accounting principles and were supported by contract data.

The Center assertion that inventory valuation was accurate and supported by contract data was not reliable. Of the 1,740 items selected for review with on-hand inventories valued at \$64 million, the values assigned to 1,195 items with on-hand inventories valued at \$52 million were not accurately computed based on the latest representative obligations or were unsupported. Specifically, 307 items valued at \$8 million had acquisition costs that were inaccurate; 218 items valued at \$14 million had acquisition costs that were not supported by obligation history records; and 670 items valued at \$30 million had acquisition costs that were based on obligation history records that could not be verified to originating contract files. Additional inaccurate and unsupported acquisition costs are probable in material amounts in the universe of items managed by the Center. There were 445,089 items with on-hand inventories valued at \$853 million that the Center managed at the end of FY 2000 with acquisition costs that were coded as being developed using the same methods identified as inadequate by this audit. Until the deficiencies leading to the inaccurate and unsupported acquisition costs are corrected and fully disclosed, inventory valuation data from the Center for \$3.1 billion of inventory cannot be relied upon to support the inventory amounts reported on the DLA financial statements.

During the audit, the Center corrected the specific acquisition costs that were inaccurate. Those actions corrected a \$2.5 million financial inventory value misstatement. Further, the actions reduced the standard (sales) prices for the affected items and resulted in \$2 million of funds put to better use for DLA customers for on-hand inventories expected to be sold over the 6-Year Future Years Defense Program.

REPORT NO. D-2001-079. Inventory Valuation at the Defense Supply Center Richmond. The overall objective was to evaluate management assertions for valuation, completeness, and existence of DoD inventory accounts and to determine whether the financial statements presented the accounts fairly. This part of the audit focused on the valuation assertion. The objective was to determine whether the values assigned to inventories managed by the Defense Supply Center Richmond were accurately computed in accordance with generally accepted accounting principles and were supported by contract data.

The Center assertion that inventory valuation was accurate and supported by contract data was not reliable. Of the 1,037 items selected for review, the values assigned to 689 items (66.4 percent) were not accurately computed based on the latest representative obligations or were unsupported. Specifically, 110 items valued at \$11.5 million were inaccurately computed based on the latest representative purchase price and 94 items valued at \$8.3 million were not supported because the obligation history records were not available. The original contract was not available to support the obligation history for 485 items valued at \$49.1 million.

Additional inaccurate acquisition costs are probable in material amounts in the universe of items managed by the Center. There were 239,929 items with on-hand inventories valued at \$1.2 billion that the Center managed at the end of FY 2000 with acquisition costs that were coded as being developed using the same methods identified by this audit. Until the deficiencies leading to the inaccurate and unsupported acquisition costs are corrected and fully disclosed, inventory valuation data from the Center for \$3.4 billion of inventory cannot be relied upon to support the inventory amounts reported on the DLA financial statements.

During the audit, the Center corrected the acquisition costs of eight items that were inaccurate. Those actions corrected a \$7.3 million financial inventory value misstatement. Further, the actions reduced the standard (sales) prices for the affected items and resulted in \$9.5 million of funds put to better use for DLA customers for on-hand inventories expected to be sold over the 6-Year Future Years Defense Program.

REPORT NO. D-2001-081. Financial Reporting at the Washington Headquarters Services. This report is the third, and last, in this series addressing the underlying financial reporting processes that cause abnormal balances on the trial balances of Other Defense Organizations. The objective was to determine the accuracy and completeness of the data that the Washington Headquarters Services (WHS) submitted to DFAS Indianapolis for inclusion in the FY 2000 Other Defense Organizations financial statements.

Trial balances prepared from accounting records that WHS maintained included \$74.9 million of net abnormal balances. We examined 95 percent of the abnormal balances included in trial balances dated March 31, 2000, and found that: prior fiscal year ending account balances were not transferred to subsequent fiscal years, and caused \$51.8 million of net abnormal balances in FY 2000; accruals and corresponding disbursements were not consistently recorded as either Government or non-Government transactions, and caused \$13.7 million of net abnormal balances; and the WHS Allotment Accounting System posted expense adjustments for prior reporting periods to the incorrect general ledger accounts in the current year rather than to a prior period adjustments account and caused \$5.6 million of net abnormal balances.

WHS took effective action to reduce deficiencies identified during the audit, thereby reducing reported year-end total net abnormal balances from \$159.2 million as of September 30, 1999, to \$4.6 million as of September 30, 2000. Until abnormal balances and control deficiencies are corrected, FY 2001 and future financial statement prepared for the Other Defense Organizations will be misstated. Additionally, financial statement preparers will not be able to properly eliminate intra-DoD transactions on the Defense Agency-Wide financial statements.

REPORT NO. D-2001-085. The 2000 DoD Financial Management Improvement Plan. Our objectives were to perform an overall assessment of the Plan, including compliance with the requirements of the National Defense Authorization Act for FY 2000, and to determine whether the Plan had adequately identified the status of financial management systems compliance. In addition, we reviewed the transition from the 1999 Financial Management Improvement Plan.

The Plan was a valid attempt to develop a strategic framework that includes the Department's financial management concept of operations and describes the manner in which the Department intends to carry out financial operations in the future. However, the plan is an evolving product that was prepared from a data call rather than from information readily available to management, was not prepared in a timely manner, and has yet to capture all required information. DoD did not fully comply with the requirements for the Plan included in the National Defense Authorization Act for FY 2000. Further, although the Plan showed cost

estimates of \$3.7 billion for FY 2000 through FY 2003 to correct systems deficiencies and result in systems that are compliant with the Federal Financial Management Improvement Act, the amount is understated. As a result, the Plan was incomplete and did not ensure that DoD will correct system deficiencies and result in an integrated financial management system structure. The DoD Components did not conduct proper or complete evaluations of critical financial management systems reported as compliant with the Federal Financial Management Improvement Act of 1996 in the Plan. Further, DoD used incorrect or incomplete criteria to perform the system evaluations for six systems listed as compliant. As a result, at least 12 of the 19 systems included in the Plan as compliant were either not Act compliant or the compliance status was not supported.

REPORT NO. D-2001-090. Obligations and Duplicate Payments on Air Force Maintenance Contract FA2550-96-C-0003. We conducted this audit in response to a request by contracting officials at the 50<sup>th</sup> Space Wing, Shriever Air Force Base, Colorado Springs, Colorado. The contracting officials were concerned that DFAS Omaha had mishandled the posting of obligations and the processing of vendor payments on a \$25.5 million, multiyear, maintenance contract. Accordingly, they questioned the validity of providing two funding adjustments that were requested by the operating location. The overall objective was to assess whether obligation and disbursement functions were properly executed and whether funding adjustments to the subject contract were required.

DFAS Omaha personnel did not completely or accurately post all contract modifications, obligations or disbursements on this contract: over \$2.9 million in erroneous obligations were posted to this contract, fifty-eight disbursements had incorrect fund citations, the contractor was paid nearly \$530,000 on seven duplicate disbursements, there were over \$700,000 of unnecessary upward adjustments of obligations posted to this contract, and attempts to properly administer and ultimately reconcile this contract were frustrated.

During our review, DFAS Omaha improved controls over posting obligation data and processing disbursements by separating organizational responsibility for vendor payment functions, clarifying vendor pay policy and emphasizing quality control by accounting technicians. The contractor reimbursed DFAS Omaha for the seven duplicate payments.

### **HEALTH CARE AND MORALE**

REPORT NO. D-2001-037. Collection and Reporting of Patient Safety Data Within the Military Health System. The audit was requested by the Assistant Secretary of Defense (Health Affairs). Our objective was to evaluate the collection and reporting of quality assurance data within the Military Health System with a focus on the management of events potentially affecting patient safety.

Significant effort to collect and report patient safety data is ongoing at the Military Treatment Facility level within the Military Health System. The DoD proposed patient safety reporting program has the potential to improve data consistency and provide a means for sharing the data and lessons learned throughout DoD. To effectively and efficiently implement the proposed patient safety reporting program, an implementation strategy is needed. Without an implementation strategy, the proposed program's potential for improving health care through reduction of medical errors may not be maximized.

REPORT NO. D-2001-059. Armed Services Blood Program Readiness. This audit is the first in a series concerning the Armed Services Blood Program. The overall objective was to determine whether the management and administration of the Program ensure that acceptable quality blood products are properly handled and controlled during peacetime and wartime. This report also addresses the readiness of the Program.

DoD needs to improve readiness management of the Program. The DoD blood program offices did not properly manage the frozen red blood cell inventory. Of the 33 blood program organizations that provided inventory data, 18 did not meet their wartime inventory requirements. As a result, DoD did not have accurate frozen red blood cell inventory reporting and accountability, which could impact major theater war operations.

In addition, DoD needs to improve mobilization planning and training for the Program. Two of three Military Department blood program offices did not prepare sufficient mobilization planning documents. Nine of the 15 blood program organizations visited did not have written, approved mobilization plans that would clearly identify actions needed by the organizations in the event of a contingency. In addition, 13 of the 15 blood program organizations visited have mobility missions and 6 of those did not have complete organization-level training. Only one of the unified commands visited had the blood program organizations within its command involved in joint- or unified command-level training exercises. As a result, the blood program organizations may not be able to properly activate in the event of a mobilization.

### **INFORMATION TECHNOLOGY RESOURCES**

REPORT NO. D-2001-034. Army Healthcare Enterprise Management System. The audit was performed in response to allegations to the Defense Hotline concerning the procurement of the Army Healthcare Enterprise Management System. The complaint alleged that the System was not properly competed, potential conflicts of interest existed, and possible contract performance problems existed. The complainant also alleged that the Fort Sam Houston Information Technology Business Center, an Army organization, could have obtained better prices by using an Army blanket purchase agreement to buy the System. Our objective was to evaluate the allegations and determine whether the Center followed procurement regulations in awarding and administering the System contract.



The four allegations were not substantiated. However, we identified issues related to planning and funding the System and potential ethics violations. The Center did not appropriately fund or plan the procurement of the System and a potential violation of the Antideficiency Act occurred because they used Army FY 1998 O&M funds to pay for the System lease expenses in FYs 1999 and 2000. In addition, the Center inappropriately used Army O&M funds instead of procurement funds to pay for a capital lease and System installation costs. The Center also arranged a questionable lease agreement for the System and incurred \$176,112 in unnecessary finance charges and GSA service costs.

Center supervisors did not adequately identify and address potential ethics violations that occurred during the procurement of the System. In addition, Center employees were placed in a position of increased risk for potential violations of ethics laws and regulations. The Center had material management control weaknesses over planning and funding of the System, interagency acquisitions, reporting of employee financial interests, and resolutions of potential conflicts of interest.

REPORT NO. D-2001-038. Allegations Relating to the Procurement of a Report Module for the Composite Health Care System II. This audit was performed in response to allegations made to the Defense Hotline on potential procurement violations involving an ad hoc report module for the Composite Health Care System (CHCS) II. The complainant made three allegations.

Two of the three allegations were substantiated; however, there was no adverse effect because the actions were not improper. The first allegation that the Government elected to procure one vendor's ad hoc report module, despite substantial documentation supporting another vendor's product, was unsubstantiated. The second allegation that the Government created a contracting arrangement using a systems integrator was substantiated; however, that action was in accordance with Government regulations and had no adverse effect on the selection of the ad hoc report module. The CHCS II Program Office used a prime contractor that was one of 1,600 GSA contractors on a federal supply schedule that provide information technology services to the Federal Government. In accordance with the terms of a delivery order, the prime contractor provided systems engineering and analysis services that included selection of subcontractors that satisfied the systems integrator's technical evaluation criteria. The third allegation that the Government used the Department of Veterans Affairs in some role in the procurement was substantiated; however, there was no adverse effect. The contracting office for the Department of Veterans Affairs North Texas Health Care System, Dallas, Texas, was designated by GSA as the servicing contracting office to process CHCS II delivery orders with the prime contractor.

On October 6, 2000, the PEO for the Office of Information Management, Technology, and Reengineering, published additional guidance for CHCS II and other Information Management, Technology, and Reengineering personnel. The overall concept of the guidance is that establishing formal processes and responsibilities for interfacing with contractor personnel, and providing appropriate training, will improve the contracting process. Specifically, the guidance requires the formation of a contracts management function to provide procedural oversight to the contracting process.

REPORT NO. D-2001-046. Information Assurance at Central Design Activities. This evaluation had two objectives. The first was to determine whether information assurance policies and management controls were working to protect the software development environments and software libraries the Central Design Activities (CDAs) use for DoD software development and maintenance. The second objective was to evaluate whether the controls CDAs have in place ensure that the DoD systems developed and maintained by CDAs do not contain malicious code.

The three CDAs we visited had not certified or accredited their software development environments as required by DoD policy. In addition, those CDAs did not participate in the accreditation of software development environments created for them and housed at Defense Information Systems Agency (DISA) facilities. As a result, there is an increased risk of unauthorized access to and modification of DoD software. The management controls were inadequate to detect and remove malicious code from some software products in development at the three CDAs we visited. As a result, those CDAs cannot ensure that software produced by them does not contain malicious code.

REPORT NO. D-2001-075. Standard Procurement System Use and User Satisfaction. The audit was performed in response to concerns expressed by the Chairman, House of Representatives Committee on Budget that DoD was not effectively spending Federal funds to acquire the Standard Procurement System (SPS), and SPS lacked needed functionality. The objective was to evaluate allegations related to SPS functionality, user satisfaction, system implementation and operation, and system controls. An additional objective was to followup on recommendations made in IG, DoD, Report No. 99-166.

Audit results were based on responses to a web-based survey of statistically selected personnel from a population of SPS 4.1 users at 534 DoD procurement sites. About 85.9 percent of SPS users stated that SPS was available always or most of the time. The SPS Program Management Office in DCMA had taken steps to better meet user needs, and respondents stated that SPS had the potential of being a very effective and useful tool, but more needed to be done to improve the software and gain greater acceptance and user confidence. Specifically, the projected survey results indicate that: 60.8 percent preferred a procurement system other than SPS, 45.8 percent stated that the number of workarounds increased, 51.4 percent stated that productivity had not increased since SPS version 4.1 was implemented, and 63.5 percent stated that SPS had not substantially contributed to the DoD goal of paperless contracting.

Further, based on survey responses, we projected that about 26.5 percent of the personnel licensed to use SPS version 4.1 have not used it because SPS either lacked the functionality for those sites or employees received SPS when it was not needed to perform their jobs. We estimate the Program Management Office spent up to \$2.1 million of the \$7.9 million in license costs on licenses for users who could not or would not use SPS. DoD has experienced a 50 percent reduction in the procurement workforce without a commensurate reduction in workload. Conceptually, SPS should assist in automating and standardizing a variety of procurement tasks and thus assist in more efficiently completing the workload. According to the survey, however, functionality remains a serious concern. Management



needs to respond to this concern when deploying new SPS versions and, if SPS does not fully meet mission needs, should consider supplementary and alternative tools for the procurement workforce.

## ***INTELLIGENCE***

REPORT NO. D-2001-065. DoD Adjudication of Contractor Security Clearances Granted by the Defense Security Service. This report is the fifth in a series addressing security clearance and access issues. The audit became a congressional request in March 2000 when the Chairmen of the Senate and House Committees on Armed Services requested further review of the security clearance process. This report addresses the adequacy of the Defense Security Service (DSS) adjudication process for granting contractor security clearances.

DSS case analysts, in granting security clearances to DoD contractors, are using processes that do not meet the requirements of Executive Order 12968, "Access to Classified Information," August 4, 1995, which requires appropriately trained adjudicators and uniform standards for granting security clearances. As a result, contractor clearances may not have been appropriately granted, subjecting DoD to a higher risk of compromise.

## ***LOGISTICS***

REPORT NO. D-2001-035. Management of Potentially Inactive Items at the Defense Logistics Agency. This report, the second in a series on obsolete national stock number (NSN) items, discusses DLA management of potentially inactive NSNs. Our overall objective was to evaluate the processes that the Military Departments and DLA used to identify and delete items in weapon system files that had obsolete NSNs. This report addresses DLA management of NSNs coded as potentially inactive.

DLA item managers did not take timely actions to review potentially inactive NSNs to determine whether the NSNs should be deleted from the DLA supply system. Of the 91,097 potentially inactive NSNs, 87,437 (96 percent) had been awaiting review by DLA item managers for at least 90 days and 36,066 (41 percent) of the 87,437 NSNs had been awaiting review since 1998 or earlier. As a result of our audit, the Defense Supply Center Philadelphia developed a computer program to expedite the review process and deleted 20,385 of the 26,434 NSNs that had been in a review status over 90 days at the Center. However, because there are 64,663 more NSNs that still require DLA item manager review, we believe that the number of potentially inactive NSNs that could be deleted is significantly greater. Using a DLA cost study, we calculated that DLA avoided a minimum of \$17.2 million of costs by

eliminating unnecessary cataloging and supply system files, and by reducing inventory for the 20,385 NSNs. The full extent of the monetary benefits will be quantifiable after management identifies and takes action to delete all inactive NSNs and disposes of obsolete, excess inventory.

REPORT NO. D-2001-043. Management of National Guard Weapons of Mass Destruction-Civil Support Teams. This is one in a series of reports on U.S. forces' management of chemical and biological (CB) defense resources. The audits were requested by the Deputy Assistant to the Secretary of Defense for Counterproliferation and Chemical/Biological Defense. For this segment of the audit, we evaluated the program management of National Guard units with chemical and biological defense responsibilities for homeland defense.

The Consequence Management Program Integration Office (CoMPIO) did not manage the WMD-CST program effectively. Specifically, CoMPIO failed to provide adequate guidance, training, and equipment for the 10 CSTs. Additionally, the Army process for certification of the teams lacked rigor and would not provide meaningful assurance. Lastly, safety issues identified by the WMD-CSTs were unresolved. As a result, the program had slipped significantly and none of the teams were fully operational. As of January 2001, the certification requests were still being evaluated by the Principal Deputy Assistant Secretary of Defense for Reserve Affairs, and none of the 10 WMD-CSTs had received Secretary of Defense certification.

As a result of issues identified in our draft report, The Deputy Secretary of Defense issued a memorandum regarding the institutionalizing of the CoMPIO functions. The Deputy Secretary directed that the Army continue to manage the WMD-CST program, but with the Principal Deputy Assistant Secretary of Defense for Reserve Affairs providing specific policy guidance and oversight consistent with the broader policies of the Assistant to the Secretary of Defense for Civil Support. The Deputy Secretary also directed that the Principal Deputy Assistant Secretary of Defense for Reserve Affairs initiate a comprehensive review of the WMD-CST program and advise him of any corrective actions needed.

REPORT NO. D-2001-045. Government Performance and Results Act Goals: Tank Miles. This is one in a series of reports resulting from our audits of GPRA goals. This report discusses the FY 1999 DoD GPRA Performance Measure 1.2.14, "Number of Tank Miles per Year." The overall objective was to evaluate the DoD tank mile GPRA goal, as shown in the Secretary of Defense's "Annual Report to the President and the Congress," 2000 (the Annual Report).

DoD reported 681 tank miles for FY 1999 instead of the 567 M1 Abrams tank miles actually driven, on average, in installation-based training. Further DoD did not fully identify, document, and report the reasons for the 29 percent shortfall in achieving the 800 tank miles goal and the management activities undertaken to improve the ability of DoD to achieve the performance measure. The existing measure established performance objectives for training-only tank units rather than for the training for the Army's combat arms team. Further,

limitations on the use of the "Tank Miles" measure to assess the Army's ground forces were not clearly explained in the Annual Report. As a result, the "Tank Miles" performance measure provided incomplete information on achievement of the performance measure.

#### **OTHER**

REPORT NO. D-2001-074. Cooperative Threat Reduction Program. This report is the second in a series that evaluates management of the Cooperative Threat Reduction (CTR) Program. Our objective was to evaluate the policies and procedures for executing the CTR Program.

Overall, the CTR Directorate, within the Defense Threat Reduction Agency (DTRA) has made steady and consistent progress in destroying weapons of mass destruction within former Soviet Union countries. However, the following areas warrant management attention.

- o The CTR Directorate used more than \$64.5 million in program funds to facilitate the removal of weapons of mass destruction by enhancing the value of salvageable materials and developing commercial by-products for Russia and Ukraine. As a result of those U.S. efforts, Russia and Ukraine could generate revenue of about \$72.8 million without agreements on how the revenue should be used.

- o The CTR Directorate did not establish adequate performance goals for the CTR Program. As a result, DoD and DTRA managers could not successfully demonstrate that the CTR Directorate was executing the CTR Program efficiently and effectively or identifying opportunities to improve program effectiveness.

REPORT NO. D-2001-088. DoD Involvement in the Review and Revision of the Commerce Control List and the U.S. Munitions List. The National Defense Authorization Act for FY 2000, section 1402, requires annual reporting by several IGs on the transfer of militarily sensitive U.S. technology abroad. The overall objective was to evaluate the role of DoD in reviewing and revising the Commerce Control List (CCL) and the U.S. Munitions List. Specifically, we examined the DoD process for ensuring that U.S. national security objectives are being considered when revisions to the Department of CCL and the Department of State U.S. Munitions List are made.

DoD performed periodic reviews of multilaterally controlled items listed on the CCL. However, DoD did not perform periodic reviews of unilaterally controlled items, which comprise 29 percent of the CCL. Additionally, DoD did not perform a review of countries for which unilateral controls were applicable. As a result, a valid requirement for an export license may no longer exist for at least some of the 137 unilaterally controlled items on the CCL and some of the 196 countries on the Commerce Country Chart. The Defense Threat Reduction Agency has developed a plan and started to perform reviews of approximately one-

fourth of the U.S. Munitions List each year that will result in a complete review of the U.S. Munitions List every 4 years. However, critical parameters for military technologies listed in the Militarily Critical Technologies List, a list developed to be a guide for export controls, may be outdated and some developing technologies with potential military applications may not have been identified. As a result, the list of militarily critical technologies may not be sufficiently current to guide the determinations of export controls and developing technologies that are militarily critical may not have been added to export control lists.

In FY 2000, the Defense Threat Reduction Agency averaged 76 days to respond to commodity jurisdiction requests referrals from State. National Security Council guidance allows referral departments 35 days to respond to State on the referred commodity jurisdiction requests. As a result, DoD contributed to delays in rendering export control decisions to exporters, causing uncertainty in the business community regarding export controls. A Defense Trade Security Initiative that will result in a review of approximately one-fourth of the U.S. Munitions List every year has been announced, with a review of the total U.S. Munitions List every 4 years. We strongly agree with the DoD position that commodity classification decisions must be subject to interagency reviews. The interagency report was issued as D-2001-092. The DoD report is included verbatim in Appendix D of the interagency report.

### **AUDIT OVERSIGHT REVIEWS**

REPORT NO. D-2001-6-001. Report on Quality Control Review of Arthur Andersen, LLP, for OMB Circular No. A-133 Audit Report of the Henry M. Jackson Foundation for the Advancement of Military Medicine, Fiscal Year Ended September 30, 1998. As the cognizant agency for the Foundation, we performed a quality control review to determine whether the FY 1998 audit report that the Foundation submitted to the Single Audit Clearinghouse met the applicable reporting standards and whether Arthur Andersen conducted the audit in accordance with applicable standards and Circular A-133. For the fiscal year ended September 30, 1998, the Foundation reported total Federal expenditures of \$63.9 million consisting of \$53 million for DoD and \$10.9 million for other Federal agencies.

Arthur Andersen complied with Circular A-133 in performing the audit of the financial statements and in reporting on internal controls and compliance related to the financial reporting. However, Arthur Andersen needed to improve the documentation and test of internal controls for compliance with requirements applicable to the major programs. The Foundation did not ensure that the single audit required by Circular A-133 was properly coordinated between Arthur Andersen and DCAA.

REPORT NO. D-2001-6-002. Report on Quality Control Review of Grant Thornton, LLP, for Office of Management and Budget Circular A-133 Audit Report of Concurrent Technologies Corporation Fiscal Year Ended June 30, 1998. As the cognizant agency for Concurrent Technologies Corporation (CTC), we performed a quality control review of the FY 1998 audit

that CTC submitted to the Single Audit Clearinghouse. The review was to determine if the audit met the applicable reporting standards and whether Grant Thornton conducted the audit in accordance with applicable standards and Circular A-133. For the fiscal year ended June 30, 1998, CTC expended approximately \$92.8 million against Federal awards, representing \$90.3 million for the DoD and \$2.5 million for other Federal agencies.

Grant Thornton generally complied with applicable auditing standards and the requirements contained in Circular A-133 and its related Compliance Supplement for the Research and Development program. However, we identified deficiencies relating to reporting and documentation requirements. As a result of our review, Grant Thornton addressed these deficiencies. In addition, CTC charged unallowable audit costs to the Federal Government for audit services. Moreover, CTC did not comply with Circular A-133 requirements because the original reporting package did not include a Summary Schedule of Prior Audit Findings.

REPORT NO. D-2001-6-003. Defense Contract Audit Agency's Role in Integrated Product Teams. The overall objective was to evaluate the role of DCAA auditors in the IPT process. Specifically, we evaluated the nature, extent, and timing of DCAA participation, and the benefits achieved from timely audits of proposal parts as the contractor submits them.

The requestor of audit services did not always know what specific services were required or available, and audit acknowledgments did not always explain what the auditors could or could not provide. Further, audit procedures could be improved for responding to requests for services, documenting team coordination, planning the IPT proposal reviews, and reporting the audit results. Audit file documentation frequently did not evidence auditor participation on an IPT. Budgeted and actual hours varied substantially in some instances, and standard audit programs at two offices were not adjusted to reflect the teaming arrangements. Several reports did not mention the IPT process, and one office misinterpreted the audit guidance on reporting on the results of an IPT process. Improved information is needed for both requestors of DCAA audits and the auditors on DCAA participation in IPTs.

REPORT NO D-2001-6-004. Report on Quality Control Review of Pricewaterhousecoopers LLP and Defense Contract Audit Agency for Office of Management and Budget Circular A-133 Audit Report of Massachusetts Institute of Technology, Fiscal Year Ended June 30, 1999. We performed a quality control review to determine whether the FY 1999 report that MIT submitted to the Single Audit Clearinghouse met the applicable reporting standards and whether PwC and DCAA conducted the audit as required by applicable standards and Circular A-133.

PwC complied with Circular A-133 in performing the audit of the financial statements. MIT complied with Circular A-133 requirements except the Schedule of Expenditures of Federal awards did not identify all Type A programs. DCAA did not coordinate the audit of classified programs at Lincoln Laboratory to ensure that all programs were included in its review. In addition, the DCAA Boston Branch Office did not adequately perform the testing of internal controls over the Reporting compliance requirement and the Special Tests and Provisions compliance requirement.

## **PART II**

### **PARTICIPATION ON MANAGEMENT ADVISORY TEAMS AND SPECIAL AUDIT/EVALUATION EFFORTS**

#### **Summary of the Office of Assistant Inspector General-Audit Participation on Management Advisory Teams**

(Area Code 703 unless otherwise indicated)

Accounting and Auditing Policy Committee (JAY LANE, 604-9101)

*Lead Component: Office of Management and Budget*

Acquisition Deskbook Working Group (JOHN MELING, 604-9091)

*Lead Component: Under Secretary of Defense for Acquisition, Technology, and Logistics*

Acquisition Reform Senior Steering Group (DAVE STEENSMA, 604-8903)

*Lead Component: Under Secretary of Defense for Acquisition, Technology, and Logistics*

Acquisition of Services IPT (PAUL GRANETTO, 604-9201)

*Lead Component: Under Secretary of Defense for Acquisition, Technology, and Logistics*

Anti Terrorism Senior Steering Coordinating Committee (CMDR LOEL DYKES, 604-8860)

*Lead Component: ASD SOLIC JCS J-3*

Commercial Item Handbook Integrated Process Team (PAUL GRANETTO, 604-9201)

*Lead Component: Deputy Under Secretary of Defense(Acquisition Reform)*

Coordination of Federal Accounting Standards Advisory Board and American Institute of  
Certified Public Accountants Guidance (JAY LANE, 604-9101)

*Lead Component: Under Secretary of Defense (Comptroller)*

Defense Acquisition Pilot Programs Consulting Group (JOHN MELING, 604-9091)

*Lead Component: Under Secretary of Defense for Acquisition, Technology, and Logistics*

Defense Chief Information Officer Executive Board (MARY UGONE, 604-9002)

*Lead Component: Assistant Secretary of Defense (Command, Control, Communications and Intelligence)*

Defense Environmental Safety and Occupational Health Policy Board

(BILL GALLAGHER, 604-9270)

*Lead Component: Under Secretary of Defense for Acquisition, Technology, and Logistics*

Defense Working Capital Fund Policy Board (DAVE VINCENT, 604-9109)

*Lead Component: Under Secretary of Defense (Comptroller)*

DoD Electronic Business Fraud Vulnerability Assessment Group (KENT SHAW, 604-9228)

*Lead Component: Defense Criminal Investigative Service*

Environmental Security Technology Implementation Committee (BILL GALLAGHER, 604-9270)

*Lead Component: Under Secretary of Defense for Acquisition, Technology, and Logistics*

Federal Financial Management Act Executive Working Group (JAY LANE, 604-9101)

*Lead Component: Under Secretary of Defense (Comptroller)*

Government Information Security Reform Act Information Assurance IPT

(WANDA HOPKINS, 604-9049)

*Lead Component: Assistant Secretary of Defense (Command, Control, Communications and Intelligence)*

Inherently Governmental Integrated Process Team (GERRY STEPHENSON, 604-9332)

DoD A-76 Overarching Policy IPT

*Lead Components: Under Secretary of Defense for Acquisition, Technology, and Logistics and Under Secretary of Defense for Personnel and Readiness*

Joint Contracting Pilot Program (TILGHMAN SCHRADEN, 604-9186)

*Lead Component: Navy Inventory Control Point*

O-8 Advisory Group on PCS (DAVE STEENSMA, 604-8903)

*Lead Component: Under Secretary of Defense (Personnel and Readiness)*



Past Performance Integrated Product Team (IPT) (BOBBIE SAU WAN, 604-9259)  
*Lead Component: Under Secretary of Defense for Acquisition, Technology, and Logistics*

Rapid Improvement Team to Develop DLA/Hamilton Sundstrand Strategic Alliance Relationship (HENRY KLEINKNECHT, 604-9324)  
*Lead Components: Deputy Under Secretary of Defense(Acquisition Reform) and DLA*

Rapid Improvement Team to Develop a DLA/Honeywell Strategic Alliance Relationship (HENRY KLEINKNECHT, 604-9324)  
*Lead Components: Deputy Under Secretary of Defense(Acquisition Reform) and DLA*

Reconciliation of Contracts in MOCAS Integrated Process Team (JIM KORNIDES, 614-751-1400(11))  
*Lead Components: Under Secretary of Defense for Acquisition, Technology, and Logistics and Under Secretary of Defense (Comptroller)*

Reengineering Transportation Task Force Executive Committee: (SHEL YOUNG, 604-8866)  
*Lead Component: Under Secretary of Defense for Acquisition, Technology, and Logistics*

Senior Financial Management Oversight Council (ROBERT LIEBERMAN, 604-8300)  
*Lead Component: Under Secretary of Defense (Comptroller)*

Single Process Initiative Management Team (EUGENE KISSNER, 604-9323)  
*Lead Component: Defense Contract Management Agency*

Systems Compliance Audit Working Group (CFO) (JAY LANE, 604-9101)  
*Lead Component: Under Secretary of Defense (Comptroller)*

Task Force on International Agreements (HARLAN GEYER, 604-9174)  
*Lead Component: Assistant Secretary of Defense (International Security Affairs)*

Weapons of Mass Destruction – Civil Support Teams Certification Working Group (SHEL YOUNG, 604-8866)  
*Lead Component: Deputy Assistant Secretary of Defense (Reserve Affairs)*



## **Summary of the Office of Assistant Inspector General-Audit Participation in Special Audit/Evaluation Efforts**

### **Audit Committees:**

- Ballistic Missile Defense Organization (C.J. RICHARDSON, 604-9582)
- Defense Advanced Research Projects Agency (C.J. RICHARDSON, 604-9582)
- Defense Commissary Agency (DAVE VINCENT, 604-9109)
- Defense Contract Audit Agency (JAY LANE, 604-9101)
- Defense Finance and Accounting Service (JAY LANE, 604-9101)
- Defense Information Service Agency (RICHARD BIRD, 604-9157)
- Defense Logistics Agency (JAY LANE, 604-9101)
- Defense Security Service (BRIAN FLYNN, 604-9489)
- Defense Threat Reduction Agency (LEON PEEK, 604-9587)
- National Reconnaissance Office (LEON PEEK, 604-9587)
- Working Group for Air Force General Fund (BRIAN FLYNN, 604-9489)

Audit Oversight Workgroup Under the CFO Council Grants Management Committee  
(JANET STERN, 604-8752)

Federal Audit Clearinghouse User Group (JANET STERN, 604-8752)

### **Federal Audit Executive Council Multi-Agency Working Groups:**

- Electronic Business (KENT SHAW, 604-9228)
- Government Wide Financial Statements (RICHARD BIRD, 604-9175)
- Peer Review Guidance Update (DENNIS PAYNE, 604-8907)

### **Joint Audit Planning Groups:**

- Acquisition Program (MARY UGONE, 604-9002)
- Construction, and Installation Support (WAYNE MILLION, 604-9312)
- Contractor Oversight (RICHARD JOLLIFFE, 604-9202)
- Environment (PAUL GRANETTO, 604-9201)
- Finance and Accounting (JAY LANE, 604-9101)
- Health Care and Morale (MIKE JOSEPH, 757-766-9108)
- Information Technology Resources (WANDA HOPKINS, 604-9049)
- Intelligence (KEITH WEST, 604-9804)
- Logistics (TILGHMAN SCHRADEN, 604-9186)

PCIE Information Technology Roundtable (KATHY TRUEX, 604-9045)  
IT Workforce Issues for IGs Working Group  
Information Assurance Working Group

Single Audit "Orange Book" Update Project Team (JANET STERN, 604-8752)

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